

**REMARKS BY
JOSEPH SZABO
ADMINISTRATOR
FEDERAL RAILROAD ADMINISTRATION**

**BEFORE THE
TRANSPORTATION RESEARCH BOARD**

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Thank you, Avery, for assembling this distinguished panel to discuss freight rail issues. I began my railroad career in the late 70's and have seen dramatic change over the last three decades.

I certainly welcome the opportunity to speak about the opportunities and barriers to the growth of freight rail in the US.

Freight rail, particularly from a safety standpoint, has been FRA's primary focus since its inception in 1966.

However, starting with PRIAA in late 2008 and with ARRA last year, we have gained responsibilities in the area of addition funding of intercity passenger rail.

Our new high-speed passenger rail program cannot succeed without the freight railroads. At the same time, it is apparent that additional freight capacity is needed for our economy to grow in the future.

I know that many of you remember the days before the passage of Staggers Act, which ushered in partial deregulation of the railroads.

Prior to Staggers, the industry had low return on investment and nine major carriers were in bankruptcy.

Overall, the industry lacked the flexibility to respond to market conditions and was unable to adjust to remain competitive with the trucking industry.

As a result rail rates were rising and its market share was falling. Without sufficient revenues, the industry was unable to make those investments to keep the system safe and grow capacity. It was

difficult for the carriers to grow revenues and marketing innovations were discouraged.

Well a lot has happened since 1980 and the industry has made improvements beyond what could have been imagined, even as recently as 15 years ago.

Our preliminary data indicates that last year we had 14 rail employee fatalities. And while we this is 14 too many, this safety statistic is outstanding when compared to other industries including those in transportation.

And the key to these improvements has been the ability to make investments in the rail plant to better service customers and improve safety.

One of the great benefits that the nation gets out of the rail industry is that it cost little if anything to the taxpayer.

From revenues and its stockholders the industry has plowed back \$123.1 billion since 1960 and majority of this has come since 1990. And the safety numbers mirror those of the investment.

There are numerous examples of private rail investments that enable our country to move freight more efficiently:

- UP's investments in the Central Corridor and the Kate Shelly Bridge,
- BNSF's investments in the Transcon,
- KCS investments of reopening a rail line in TX,
- NS terminal Improvements, and
- CSX capacity enhancements.

Rail market share measured of intercity ton-miles has increased from a little over 30 percent in 1980 to around 43 percent in 2007.

As the economy grew from 2002 through 2007, the industry was faced with rising demand for more infrastructure to meet that growth.

In 2006 through 2008, it responded to that demand and made critical investments to increase capacity and improve service.

This was the kind of flexibility that the authors of Staggers envisioned, a rail transportation system that could quickly respond to the needs of the nation. The industry ramped up investment from \$6.4 billion in 2005 to \$8.5 billion in 2006 and top out at \$10.2 billion in 2008.

While investment is down in 2009, the industry should be well place to again answer the call and meet shipper needs as the economy recovers—providing safe and efficient service that also meets the environmental concerns of the nation.

Speaking of environmental concerns, at FRA we just released an update of a 1991 study, which shows to no one's surprise that the rail industry is very fuel efficient.

And that advantage is improving. The industry has shown fuel efficiency gains of over 23 percent from 1990 through 2007, measured as average gallons of fuel consumed per revenue ton-mile.

When comparing the fuel efficiency of rail to truck in competitive corridors and for similar service characteristics, rail was up to 5.5 times more fuel efficient than truck.

And as the length of haul increases the advantage of rail's fuel efficiency is compounded.

All of the improvements to the system helps lower the nation's total logistics cost bill.

This helps to lower the price that consumers pay for products and helps keep the nation competitive in the world economy.

People who admire high-speed passenger operations look to Europe and Asia and dream of those types of systems being available in the United States.

However, Europe and Asia look to the freight rail systems in the United States and dream of a similar freight capacity in their countries.

In fact, by many measures, rail freight shipping in the United States is cheaper than in China.

It is the inherent efficiency of freight rail that enables railroads to do something that is expected of no other form of transportation:

- maintain their own infrastructure,
- add capacity,
- host passenger operations,
- and pay local property taxes on their real estate.

Therefore the relationship between the passenger rail program and freight must dovetail into the Administration's strategic goals for the national transportation system.

Both freight and passenger rail work toward the Department's goals.

We're fostering this movement in several ways, including the development of our nation's first National Rail Plan.

As we implement the President's vision for world-class high-speed rail in the United States, we must be sure to do no harm to our existing world class freight rail system.

With the Rail Safety Improvement Act, Congress gave us a deadline for the installation of PTC. This will improve safety, but we want to be sure that it does not come at the cost of other safety initiatives.

Recent regulation has changed the Surface Transportation Board and we are reviewing how this may affect the rail industry.

Competition with other modes is affected by state and federal government actions that affect the competitive nature of the individual modes.

And, unless improvements are made to enhance rail capacity, the increase in passenger trains and train speeds will have an impact on freight rail capacity.

So how do we pull all these pieces together?

Much will depend on our National Rail Plan.

It includes not only both freight and passenger rail, but creates a multi-modal vision of how rail ties into all modes of transportation.

It's about seamlessly moving goods and people and represents a fundamental shift in transportation policy.

We will not have the answer to every question.

But, we will be able to lay out all of this "on the table" for consideration as our national transportation plans go forward.

And we will continue to use an open process, including all of our modal partners at DOT, as well as industry and transportation policy experts for their input into the Plan.

While we have the best minds in the industry here today, I want to make a quick pitch about the job opportunities at FRA.

We will be hiring scores of engineers, inspectors, project managers and analysts over the next few years to meet the demands put on the agency.

Please go to our website for employment information and application instructions.